

# Liquor Control Board Legislative Update

February 12, 2001

Rick Garza, Legislative Liaison  
PO Box 43080, Olympia WA 98504-3080  
360-664-1650

DEFENDANT'S  
EXHIBIT

CASE  
NO. C04-0360P

EXHIBIT  
NO. 539

## What's Happening?

The Legislature was busy last week as they continue the public hearing process on introduced bills. The House and Senate have until the end of the month to vote bills out of committee. If a bill is not heard and moved out by the end of the month, it likely will have to wait until next year for another chance to move through the legislative process and become law.

Several bills of importance to the Board were introduced this last week. Here's a summary. They're also included in the report that follows.

HB 1806 would require that the Board apply the average wholesale posted price plus a statewide average retail markup of twenty-five percent for wine and beer sold through state stores and contract liquor stores. This legislation was introduced at the request of the Washington Food Industry, who represent large retail grocery chains throughout the state. The Food Industry has repeatedly claimed that the Liquor Control Board has a price advantage for wine due to the fact that the Board currently buys directly from wineries. The Board has agreed to conduct a survey to determine if there is a general disparity between the Board's retail prices for wine and those found in private grocery stores. The Board has also agreed to adjust prices if a general disparity exists.

HB 5604 would allow minors to participate in controlled purchase programs authorized by the LCB under rules adopted by the Board. Violations under a private, controlled purchase program would not be used for criminal or administrative prosecution. This legislation was introduced by Senator Harriet Spanel (Bellingham) at the request of a constituent that provides security for a retail grocery chain. The grocery chain would like to use minors to conduct compliance checks against their own employees as a way of ensuring compliance with the LCB.

HB 1866 and its companion, SB 5929, would allow 18, 19, and 20 year old employees of beer and wine distributors to merchandise their product on a retail licensed premises, so long as a person 21 or older was on the premises supervising. (There are other exceptions outlined in law for 18-20 year old persons handling or selling alcohol under limited circumstances, with the same requirement for supervision.)

TX539-001

The agency-request legislation that I mentioned last week was introduced, HB 1781 and its companion, SB 5815. These bills would allow the LCB to pay commissions for contract liquor stores (formerly known as "agencies") out of non-appropriated funds. The House bill is up for a public hearing this Thursday in the House Appropriations Committee.

#### Bills at a glance:

Bill	Description	Status	Date Introduced	Primary Sponsor
HB 1130	Privatization	H Commerce & Labor	1-18-01	Delvin
HB 1201	Cigarette sales on Indian lands	H Rules Committee	1-19-01	Dunshee
SB 5372		S Ways & Means	1-24-01	Prentice
HB 1386	Alcohol ban on state ferries	H Transportation	1-24-01	Marine
SB 5277		S Transportation	1-17-01	Shin
HB 1508	Private label wine to-go sales	H Commerce & Labor	1-29-01	Clements
HB 1549	Youth access to tobacco	H 1 <sup>st</sup> Reading	1-29-01	Schual-Berke
SB 5296		S Health/LT Care	1-18-01	Thibaudeau
HB 1719	Tobacco products	H Commerce & Labor	2-1-01	Edwards
HB 1781	Contract liquor store	H Appropriations	2-5-01	Sommers
SB 5815	commission payment	S Labor & Commerce	2-5-01	Prentice
HB 1806	Wine pricing for LCB	H Commerce & Labor	2-5-01	Clements
HB 1855	Private club event endorsement	H Commerce & Labor	2-6-01	Hunt
SB 5527		S Labor & Commerce	1-25-01	Snyder
HB 1866	18-20 year old employees	H Commerce & Labor	2-7-01	Chandler
SB 5929	handling beer/wine	S Labor & Commerce	2-8-01	Rasmussen
SB 5604	Private Compliance Checks	S Labor & Commerce	1-29-01	Spanel
SB 5808	Wine sold at farmer's markets	S Ag. & Int'l Trade	2-2-01	Constantine

#### Bills that affect state employees:

HB 1043	PERS 1 Retirement plan	H Appropriations	1-12-01	Alexander
SB 5149		S Ways & Means	1-12-01	Franklin
HB 1268	Civil Service Reform	H State Government	1-22-01	Romero
SB 5577		S Labor & Commerce	1-26-01	Fairley
HB 1371	Survivor Benefits for law enf.	H Appropriations	1-24-01	Morell
HB 1479	Death Benefit Plan	H Appropriations	1-26-01	Alexander
SB 5596		S Ways & Means	1-26-01	Fraser
HB 1480	Agents in LEOFF Ret. Plan	H Appropriations	1-26-01	Buck
SB 5597		S Ways & Means	1-26-01	Jacobsen
HB 1538	Bereavement Leave	H State Government	1-29-01	McDermott
SB 5512		S Labor & Commerce	1-25-01	Fairley
SB 5325	PERS 2 Early Retirement	S Ways & Means	1-19-01	Prentice

#### New Bills From Last Week

##### Paying contract liquor store commissions through non-appropriated funds

HB 1781 and its companion, SB 5815, would allow the LCB to pay commissions for contract liquor stores out of non-appropriated funds.

Commission costs would be added to the list of administrative expenses already under non-appropriated funds (including the cost of liquor, freight costs, and credit/debit card transaction fees). This legislation would allow the Board to respond to the contract liquor store's changing sales volumes. It would solve the dilemma the Board currently faces when liquor sales increase and the Board is contractually obligated to pay higher commissions, but does not have the appropriation authority to do so. (Under current law, the Liquor Control Board must ask for a supplemental budget request whenever increased contract liquor stores sales generate commission increases.)

Status: The House bill has been referred to the House Appropriations Committee and has a hearing scheduled on February 15. The Senate bill has been referred to the Senate Labor and Commerce Committee, with no hearing scheduled to date.

### Private Compliance Checks

SB 5604 would allow private retailers, authorized by the LCB and under rules we adopt, to conduct controlled purchase programs using minors. Violations occurring under a private, controlled purchase program would not be used for criminal or administrative prosecution.

Status: Referred to the Senate Labor and Commerce and Labor Committee, with no hearings scheduled to date.

### Tobacco products

HB 1719 would put other tobacco products besides cigarettes (cigars, snuff, chew, etc.) under the tobacco retailer license. Currently a business only needs a state tobacco retailer license if they sell cigarettes--no license is needed to sell other types of tobacco products. Because the vast majority of stores that sell "other" tobacco products also sell cigarettes and thus have a cigarette retailer license, this bill would not have a great impact on us.

Status: Referred to the House Commerce and Labor Committee, with a hearing scheduled for February 14.

### LCB Wine Pricing

HB 1806 would require the LCB to follow a certain formula for its markup of wine and beer. The monthly retail sale prices would have to equal the average wholesale price posted by private distributors, plus a statewide average retail price markup of 25 percent.

Status: Referred to the House Commerce and Labor Committee, with no hearing scheduled to date.

### Allowing 18, 19 & 20 Year Old Employees to Merchandise Beer & Wine

HB 1866 and its companion, SB 5929, would allow 18, 19, and 20 year old employees of beer and wine distributors to merchandise their product on a retail licensed premises, so long as a person 21 or older was on the premises supervising.